

TORONTO STOCK EXCHANGE

BULLETIN NO. 5548

TORONTO

NEW LISTING

March 24th, 1965

FRONTIER ACCEPTANCE CORPORATION LIMITED

An application has been granted to list 19,000 6½% Cumulative Redeemable Convertible First Preference Shares Series A and 295,900 Common Shares without par value of the above Company, of which 123,395 are subject to issuance, and the shares will be posted for trading at the opening on March 29th, 1965 as follows:

	<u>Ticker Abbreviation</u>	<u>Dial Ticker Number</u>	<u>Post Section</u>
Preference Shares -	"FAC PR"	1976	10
Common Shares -	"FAC"	1937	10

Listing Statement No. 2198 is in the course of preparation and will be available in the near future.

The following is some of the information that will be included in the Listing Statement:

Incorporated under the laws of Ontario, May 1, 1958

Head Office - 5385 Yonge Street, Willowdale, Ont.

Transfer Agent and Registrar - The Royal Trust Company, Toronto and Montreal

<u>Officers</u> - President	- Lyman Warren Oehring, Jr., Willowdale, Ont.
Vice-President	- Charles Norman Chapman, London, Ont.
Vice-President	- Thomas Harvey Osborne, Thornhill, Ont.
Vice-President, Sales	- Howard Leslie Kirby, Maple, Ont.
Secretary	- Robert William Stevens, Toronto, Ont.
Assistant Secretary	- Peter John Ivey, London, Ont.

Directors - Charles Norman Chapman, Peter John Ivey, Lyman Warren Oehring, Jr. and the following:

John William Adams, London, Ont., Executive
 Bentley Ivan Baldwin, London, Ont., Executive
 Murray Joseph Howe, Burlington, Ont., Investment Dealer
 Charles Edward Isard, London, Ont., Investment Dealer
 Frank Trysman Sherk, Toronto, Ont., Executive

Capitalization as at February 26th, 1965

	<u>Authorized</u>	<u>Outstanding</u>	<u>To Be Listed</u>
Demand Notes with the Company's bankers.....	\$5,700,000	\$5,085,000	-
6 3/4 Subordinated Sinking Fund			
Debentures Series A	\$1,000,000	\$1,000,000	-
39,000 First Preference Shares with a par value of \$25 each, issuable in series, of which 19,000 have been designated as 6½% Cumulative Redeemable Convertible First			
Preference Shares Series A.....	39,000	19,000	19,000
Common Shares without par value	1,000,000	172,505	295,900*

* 123,395 Common shares are reserved for issuance, as follows:

- (a) 95,000 for the exercise of the conversion privilege attaching to the First Preference Shares Series A.
- (b) 14,895 for the exercise of Share Purchase Warrants delivered to the purchasers of the Series A Debentures.
- (c) 3,500 for an option granted to Howard Kirby, Sales Manager of the Company, effective September 15, 1964, exercisable at a price of \$7.50 per share, on a cumulative basis to the extent of 500 shares in the first year and each succeeding year, terminating on September 14th, 1971.
- (d) 10,000 for an option granted to Mr. Lyman W. Oehring, who was appointed President and General Manager, effective February 1, 1965. The option will be at a price of \$7.50 per share exercisable over a five year period.

Escrowed shares - 117,400 of the outstanding common shares of the Company are held by The Royal Trust Company in escrow pursuant to an agreement with the registered holders thereof to be released on the expiration of a period of 180 days after the date on which the common shares without par value in the capital stock of the Company are called for trading on The Toronto Stock Exchange subject to earlier release with the written consent of J.H. Crang & Co., the Ontario Securities Commission and The Toronto Stock Exchange. The said agreements do not contain any restrictions on the transfer of the said shares within the escrow.

Offering by prospectus - By an underwriting agreement dated January 4, 1965, J.H. Crang & Co. and Isard, Robertson and Co. Limited agreed to purchase 50,000 common shares at \$7.50 per share less a commission of 50¢ per share.

Use of proceeds - Proceeds from the above-mentioned underwriting will be used to reduce the Company's bank indebtedness.

Nature of business of the Company and its wholly owned subsidiaries Plumbing and Heating Finance Limited and Frontier Realty Corporation Limited is (a) the purchase of retail conditional sale contracts principally resulting from time payment sales of mobile homes, home improvements, water softeners, freezers and other durable goods, and (b) the making of loans evidenced by promissory notes and collaterally secured in all cases by mortgages of real and/or personal property of the borrower.

Summary of consolidated earnings

<u>Period</u>	<u>Net earnings</u>
For the year ended April 30, 1960	\$18,741
For the eleven months ended March 31, 1961	22,690
For the year ended March 31, 1962	43,021
For the year ended March 31, 1963	74,789
For the year ended March 31, 1964	90,939
For the eight months ended November 30, 1964	65,251

BY ORDER OF THE BOARD OF GOVERNORS

H.D. GRAHAM
President

This Listing Statement is compiled by the Exchange from documents filed by the Company in making application for listing. It is issued for the information of members, member firms and member corporations of the Exchange. It is not and is not to be construed as a prospectus. The Exchange has received no consideration in connection with the issue of this Listing Statement other than the customary listing fee. The documents referred to above are open for inspection at the general office of the Exchange.

LISTING STATEMENT No. 2198

LISTED MARCH 29, 1965

19,000 6½% cumulative redeemable convertible first preference shares Series A
Ticker abbreviation "FAC PR"
Dial ticker number 1976
Post section 10

295,900 common shares without par value, of which 123,395 are subject to issuance
Ticker abbreviation "FAC"
Dial ticker number 1937
Post section 10

THE TORONTO STOCK EXCHANGE

LISTING STATEMENT**FRONTIER ACCEPTANCE CORPORATION
LIMITED**

Incorporated under the laws of the Province of Ontario
by Letters Patent dated May 1, 1958

CAPITALIZATION AS AT FEBRUARY 26, 1965

SHARE CAPITAL	AUTHORIZED	ISSUED AND OUTSTANDING	TO BE LISTED
39,000 first preference shares with a par value of \$25 each, issuable in series	39,000		
19,000 have been designated as 6½% cumulative redeemable convertible first preference shares Series A, with a par value of \$25 each (hereinafter sometimes called the Preference Shares Series A)		19,000	19,000
Common shares without par value	1,000,000	172,505	295,900*

NOTE: On the 23rd of February, 1965 1,000 Preference Shares Series A were converted into 5,000 common shares.

Common shares without par value

1,000,000 172,505 295,900*

* of which 123,395 are subject to issuance

FUNDED DEBT

6¾% Subordinated Sinking Fund Debentures Series A due June 15, 1979	\$1,000,000**	\$1,000,000	Nil
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** Additional Subordinated Debentures of a subsequent series may be issued subject to the restrictions contained in the Trust Deed made as of the 15th day of June, 1964 between the Company and Montreal Trust Company as Trustee.

March 5, 1965

1.

APPLICATION

FRONTIER ACCEPTANCE CORPORATION LIMITED (hereinafter called the Company) hereby makes application for the listing on The Toronto Stock Exchange of:

- (a) 19,600 6½% cumulative redeemable convertible first preference shares Series A, with a par value of \$25 each in the capital of the Company, all of which have been issued and are outstanding as fully paid and non-assessable; and

(b) 295,900 common shares without par value in the capital of the Company, of which 172,505 have been issued and are outstanding as fully paid and non-assessable. The remaining 123,395 common shares included in this application have been reserved as follows:

For issue upon conversion of outstanding Preference Shares Series A	95,000
For issue upon the exercise of outstanding Share Purchase Warrants expiring June 15, 1970	14,895
Employee stock option at \$7.50 per share expiring September 14, 1971	3,500
Employee stock option at \$7.50 per share expiring February 28, 1975	10,000

2. REFERENCE TO THE PROSPECTUS

Reference is made to the attached Prospectus issued by the Company under date of January 11, 1965 with respect to the offering to the public through underwriters of 50,000 common shares, a copy of which Prospectus is hereby incorporated and made a part hereof.

3. SHARES ISSUED SINCE THE INCORPORATION OF THE COMPANY

(a) Common shares without par value

DATE OF ISSUE	NO. OF SHARES ISSUED	AMOUNT REALIZED PER SHARE	TOTAL AMOUNT REALIZED	PURPOSE OF ISSUE
May 1, 1958	6*	\$ 1.00	\$ 6	Incorporators' shares.
Aug. 20, 1958	1,194*	\$ 1.00	\$ 1,194	Obtaining working capital.
Apr. 1, 1961	1,148*	\$26.13	\$ 30,000	Obtaining working capital.
* By Supplementary Letters Patent dated September 25, 1963 the issued and unissued common shares of the Company were split 50 for 1.				
Jan. 11, 1965	50,000	\$ 7.50	\$375,000	Reduction of Company's bank indebtedness.
Feb. 9, 1965	105	\$ 7.50	\$ 787.50	Obtaining working capital.
Feb. 23, 1965	5,000	\$ 5.00	\$ 25,000	Resulting from the conversion of 1,000 Preference Shares Series A.

(b) Preference Shares with a par value of \$10 each.

Aug. 20, 1958	2,880**	\$10.00	\$ 28,800	Obtaining working capital.
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** All of these Preference Shares have been redeemed.

(c) Preference Shares Series A

Oct. 28, 1963	20,000	\$25.00	\$500,000	Redemption of \$100,000 principal amount 6% Junior Capital Notes at par and balance used to reduce the Company's bank indebtedness.
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4. DIVIDEND RECORD

In addition to the dividends paid on the Preference Shares Series A set forth in paragraph 32 of the attached Prospectus, a dividend of 41¢ per Preference Share Series A was paid on January 31, 1965 aggregating \$8,200. No dividends have been paid by the Company other than the foregoing.

5. OPINION OF COUNSEL

Messrs. Blake, Cassels & Graydon, 25 King Street West, Toronto, Ontario, counsel for the Company, are filing in support of this application an opinion stating, among other things, that (i) the Company is duly incorporated and is a valid and subsisting corporation in good standing under the laws of the Province of Ontario; (ii) the duly authorized capital of the Company consists of 39,000 first preference shares with a par value of \$25 each, issuable in series, of which 19,000 of the said first preference shares have been designated as 6½ % cumulative redeemable convertible first preference shares Series A, and 1,000,000 common shares without par value; (iii) 19,000 6½ % cumulative redeemable convertible first preference shares Series A and 172,505 common shares have been duly issued and are outstanding as fully paid and non-assessable. The 95,000 common shares which are subject to issuance upon conversion of the outstanding 6½ % cumulative redeemable convertible first preference shares Series A, the 14,895 common shares which are subject to issuance upon exercise of the outstanding Share Purchase Warrants, and the 13,500 common shares which are subject to issuance upon the exercise of employees' stock options, will be outstanding as fully paid and non-assessable.

6. LISTING ON OTHER STOCK EXCHANGES

None of the securities of the Company are listed on any other stock exchange.

7. STATUS UNDER SECURITIES ACTS

Particulars of any filing, registration, approval or qualification with or by the Ontario Securities Commission or any corresponding governmental body or authority are as follows:

- (i) The Ontario Securities Commission issued its official receipt dated October 15, 1963 acknowledging receipt of the material required under The Securities Act (Ontario) in reference to the offering of 20,000 6½ % cumulative redeemable convertible first preference shares Series A with a par value of \$25 each.

This prospectus is not and under no circumstances is to be construed as a public offering of any of these securities for sale in the United States of America or in the territories or possessions thereof.

Frontier Acceptance Corporation Limited

(Incorporated under the laws of the Province of Ontario)

50,000 Common Shares

(without par value)

The listing of these common shares and the 20,000 6½% cumulative redeemable convertible first preference shares Series A with a par value of \$25 each on the Toronto Stock Exchange has been approved subject to the filing of documents and evidence of satisfactory distribution to be furnished within 90 days of such approvals.

We, as principals, offer these common shares, subject to prior sale and change in price, if, as and when issued by the Company and accepted by us and subject to the approval of all legal matters on behalf of the Company by Messrs. Blake, Cassels & Graydon, Toronto, and on our behalf by Messrs. Zimmerman, Haywood, Winters & Chambers, Toronto.

Transfer Agent and Registrar: The Royal Trust Company

Toronto and Montreal

PRICE: \$7.50 per share

This offering is subject to the issue to the Company of supplementary letters patent, which have been applied for, to be dated January 6, 1965 increasing the authorized capital of the Company by the creation of an additional 750,000 common shares.

Subscriptions will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

It is expected that interim share certificates, later exchangeable without cost for definitive share certificates, will be available for delivery on or about January 18, 1965.

The information which follows has been supplied by Mr. J. W. Adams, the President of Frontier Acceptance Corporation Limited.

The Company

Frontier Acceptance Corporation Limited was incorporated on May 1, 1958 under the laws of Ontario and with its wholly-owned subsidiaries Plumbing and Heating Finance Limited and Almort Investments Limited, which were acquired in 1961 and 1964 respectively are engaged in (a) the purchase of retail conditional sale contracts principally resulting from the conditional sale of mobile homes, automobiles, home improvements, water softeners, freezers and other durable goods, and (b) the making of loans evidenced by promissory notes and collaterally secured in all cases by mortgages of real and/or personal property of the borrower.

Frontier Acceptance Corporation Limited, Plumbing and Heating Finance Limited and Almort Investments Limited (which are hereinafter called the "Company") operate from one location in Metropolitan Toronto, Ontario, and one location in Moncton, New Brunswick, and have twenty employees. Since incorporation the Company has been managed without significant expenses being incurred for advertising, business promotion, executive offices, etc.; and it is contemplated that this policy will continue into the foreseeable future.

The retail conditional sale contracts acquired by the Company are generally purchased from dealers approved by the Company who sell durable goods to instalment buyers. The instalment buyers on the contracts held by the Company are distributed throughout the Provinces of Ontario, Alberta, New Brunswick, Nova Scotia, Quebec and Saskatchewan and are diversified as to occupations. The down payment and terms of a contract as well as the credit of an instalment buyer must be satisfactory to the Company before the Company will purchase a contract. In addition to the covenant of the instalment buyer and the retention by or assignment to the Company of title to the goods being financed, the Company is in the majority of cases further protected by a guarantee from the dealer of the instalment buyer's obligations under the contract, supported to some extent by amounts withheld from dealers until the contracts held by the Company have been paid in full.

The loans made by the Company are to individual borrowers for amounts in excess of \$1,500 and not more than \$7,500. These loans are on a fully amortized basis and are for a term not in excess of five years. The Company before making a loan will determine the length of time the prospective borrower has been employed by his present employer, the ability of the prospective borrower to repay the loan, his existing debts, and the available security. The Company does not, in the case of a loan collaterally secured by a mortgage on real property, have an appraisal made of the real property, but it does determine the purchase price of the real property and the total amount of the encumbrances thereon and restricts itself to a loan not in excess of the borrower's equity in the real property, subject to the borrower meeting all of the other loan qualifications of the Company. At the present time there are approximately 400 loans outstanding, of which 80 are collaterally secured by mortgages on real property. Loans of this nature are made through the Company's subsidiary, Almort Investments Limited, which Company is not registered under The Loan and Trust Corporations Act (Ontario) but is incorporated pursuant to the provisions of Section 3(2) of The Corporations Act of Ontario and, as such, is authorized to lend and invest money on mortgages of real estate or otherwise.

In October, 1963 the Company sold to the public, through underwriters, 20,000 6½% Cumulative Redeemable Convertible First Preference Shares Series A and the Company presently has approximately 185 shareholders. In June, 1964, the Company sold to the public, through underwriters, \$1,000,000 6¾% Subordinated Debentures Series A and Share Purchase Warrants in respect of 15,000 Common Shares of the Company.

Credit Loss Record

Careful scrutiny of credit risks, wide diversification, withheld reserves (dealers' credit balances) and adequate down payments, have resulted in a loss record of approximately ½ of one per cent of total volume of approximately \$21,500,000 of receivables purchased since 1958.

Business Growth

The outstanding notes receivable (before allowance for doubtful accounts) as shown on the consolidated balance sheet of the Company at the end of each of its fiscal years since incorporation and at the end of the 8 month period as of November 30, 1964 were as follows:

April 30, 1959	\$ 223,754
April 30, 1960	699,584
March 31, 1961	779,526
March 31, 1962	2,824,201
March 31, 1963	4,406,590
March 31, 1964	6,512,576
November 30, 1964	8,852,262

Capitalization

(As at November 30, 1964 and after giving effect to the issuance of Supplementary Letters Patent dated January 6, 1965 and to the proposed financing.)

	<u>Authorized</u>	<u>Outstanding</u>
Demand Notes with the Company's bankers	\$5,700,000	\$5,085,000
6¾% Subordinated Sinking Fund Debentures Series A maturing June 15, 1979	1,000,000	1,000,000
40,000 First Preference Shares with a par value of \$25 each, issuable in series, of which 20,000 have been designated as 6½% Cumulative Redeemable Convertible First Preference Shares Series A	1,000,000	500,000
Common Shares without par value	1,000,000 shs.	167,400 shs. (note 1)

NOTE 1: 100,000 common shares have been reserved for issue upon the exercise of the conversion privilege attaching to the 6½% Cumulative Redeemable Convertible First Preference Shares Series A. 15,000 common shares have been reserved for issue upon the exercise of the Share Purchase Warrants delivered to the purchasers of the 6¾% Subordinated Sinking Fund Debentures Series A on the basis of Share Purchase Warrants in respect of 15 common shares for each \$1,000 principal amount of 6¾% Subordinated Sinking Fund Debentures Series A. 3,500 common shares have been reserved for issue upon the exercise of a stock option in favour of an officer of the Company, particulars of which are set forth in paragraph 11 of the statutory information forming part of this prospectus.

Purpose of Issue

The net proceeds from the sale of the 50,000 common shares (hereinafter called "the Common Shares") offered by this prospectus will be used to reduce the Company's bank indebtedness. The increased borrowing base will enable the Company to apply to its bankers for additional funds which if obtained will be used to purchase additional conditional sale contracts and to make additional loans.

Dividends

The Company has never paid dividends on its common shares and presently intends to use all available funds in financing the growth of its business. The preferences, rights, conditions, restrictions, limitations and prohibitions attached to the 6½% Cumulative Redeemable First Preference Shares Series A and the trust indenture creating the 6¾% Subordinated Sinking Fund Debentures Series A provide for certain restrictions on the payment of dividends on the common shares, the particulars of which are substantially set forth in paragraphs 8 and 9 respectively of the statutory information forming part of this prospectus.

Management

The Company has appointed Mr. Lyman W. Oehring as President, effective February 15, 1965. Mr. Oehring is a Certified Public Accountant (Michigan) and has had extensive experience in the sales finance industry. From June, 1959 to December, 1961 he was Vice-President (Finance) of a U.S. finance company specializing in the purchase of mobile home conditional sale contracts, and at the present time he is Senior Vice-President of a U.S. company which has a sales finance subsidiary specializing in the purchase of shell home conditional sale contracts. Both sales finance companies with which Mr. Oehring has been associated have outstanding receivables in excess of \$70,000,000.

The Company proposes to grant to Mr. Oehring forthwith after he assumes his duties as President of the Company an executive stock option to purchase 10,000 common shares of the Company at a price of \$7.50 per share exercisable over a five year period at the rate of 2,000 shares per year.

**FRONTIER ACCEPTANCE CORPORATION LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARIES**
Consolidated Statement of Earnings and Retained Earnings
For the period from the incorporation of the Company
May 1, 1958 to November 30, 1964

	Year ended April 30, 1959	Year ended April 30, 1960	Eleven months ended March 31, 1961	Year ended March 31, 1962	Year ended March 31, 1963	Year ended March 31, 1964	Eight months ended Nov. 30, 1964
Earnings (loss) before items noted	\$ (4,496)	\$ 44,587	\$ 64,791	\$ 100,596	\$ 293,293	\$ 380,710	\$ 340,315
Deduct:							
Depreciation and amortization of fixed assets, leasehold improvements and debenture issue expense	250	609	803	1,008	1,940	3,269	3,522
Interest on bank borrowings and short term loans	3,500	22,037	32,723	33,040	121,888	172,494	168,725
Interest on long term debt	—	—	—	15,473	36,876	40,108	43,167
Taxes on income (note 2)	—	3,200	8,575	8,054	57,800	73,900	59,650
	3,750	25,846	42,101	57,575	218,504	289,771	275,064
Net earnings (loss) for the period	(8,246)	18,741	22,690	43,021	74,789	90,939	65,251
Add:							
Retained earnings beginning of period	—	(8,246)	10,495	33,185	63,144	127,964	164,710
Income tax credit on exchange loss arising from retirement of 6½% Subordinated Notes (note 5)	—	—	—	—	—	—	13,601
	(8,246)	10,495	33,185	76,206	137,933	218,903	243,562
Deduct:							
Provision for possible future loss on foreign exchange on 6½% Subordinated Notes	—	—	—	13,062	9,969	2,500	625
Underwriters' commission and other expenses in respect of the issuance of 6½% cumulative redeemable convertible first preference shares Series A	—	—	—	—	—	—	43,493
Dividends on 6½% cumulative redeemable convertible first preference shares Series A	—	—	—	—	—	—	8,200
Excess of cost of shares of subsidiary over underlying assets	—	—	—	—	—	—	1,717
Transfer to purchase fund — 6½% cumulative redeemable convertible first preference shares Series A (note 4)	—	—	—	—	—	—	10,000
	—	—	—	13,062	9,969	54,193	36,642
Retained earnings end of period	\$ (8,246)	\$ 10,495	\$ 33,185	\$ 63,144	\$ 127,964	\$ 164,710	\$ 206,920

Notes:

- As of August 31, 1961 the Company acquired all the outstanding shares of Plumbing and Heating Finance Limited and, accordingly, the consolidated statement of earnings includes the earnings of Plumbing and Heating Finance Limited for the period from August 31, 1961 to November 30, 1964.
- Taxes on income in the year ended April 30, 1960 were reduced by an amount of \$1,900 by applying a tax loss carried forward of the Company and taxes on income in the years ended March 31, 1962 and March 31, 1963 were reduced by amounts of \$8,600 and \$2,750 respectively by applying tax losses carried forward of the subsidiary.
- It is the Company's practice to take into income finance charges applicable to retail notes receivable over the life of the contracts on the "sum of the digits" method of computing earned income and, in addition, an amount not exceeding \$20 per contract plus 1% of the face value of the contract in respect of acquisition costs, is taken up as income as the individual note contracts are executed.
- Commencing on October 31, 1964, the Company is required to enter on its books to the credit of a purchase fund certain amounts to be used for the purchase of 6½% cumulative redeemable convertible first preference shares Series A, for cancellation.
- The 6½% Subordinated Notes payable in United States dollars were retired in June, 1964. The exchange loss incurred amounting to \$26,156 had been previously provided for. This loss will be claimed as a deduction in arriving at taxable income for the current year and the relative credit of \$13,601 has been added to retained earnings.

Auditors' Report

To the Directors

FRONTIER ACCEPTANCE CORPORATION LIMITED

We have examined the Consolidated Statement of Earnings and Retained Earnings of Frontier Acceptance Corporation Limited and its wholly-owned subsidiaries for the period from the incorporation of the company, May 1, 1958 to November 30, 1964. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying Consolidated Statement of Earnings and Retained Earnings together with the notes thereto presents fairly the results of operations of Frontier Acceptance Corporation Limited and its wholly-owned subsidiaries for the period from the incorporation of the company, May 1, 1958 to November 30, 1964, in accordance with generally accepted accounting principles applied on a consistent basis.

Toronto, Ontario
January 6, 1965

(signed) Peat, Marwick, Mitchell & Co.
Chartered Accountants

**FRONTIER ACCEPTANCE CORPORATION LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARIES**

**Consolidated Balance Sheet
and Pro Forma Consolidated Balance Sheet
November 30, 1964**

ASSETS

	Consolidated Balance Sheet	Pro Forma Consolidated Balance Sheet (Note 5)
Cash	\$ 346	\$ 346
Notes receivable:		
Retail	7,958,717	7,958,717
Wholesale	893,545	893,545
	<u>8,852,262</u>	<u>8,852,262</u>
Less:		
Unearned finance charges	1,339,839	1,339,839
Allowance for losses	86,530	86,530
	<u>1,426,369</u>	<u>1,426,369</u>
Notes receivable—net	7,425,893	7,425,893
Accounts receivable	22,226	22,226
Prepaid expenses	5,699	5,699
Furniture and equipment, at cost	19,441	19,441
Less accumulated depreciation	8,070	8,070
	<u>11,371</u>	<u>11,371</u>
Leasehold improvements, at cost—		
less amortization of \$524	1,257	1,257
Deferred debenture issue expense, at cost—		
less amortization of \$1,580	66,655	66,655
	<u>\$7,533,447</u>	<u>\$7,533,447</u>

LIABILITIES

	Consolidated Balance Sheet	Pro Forma Consolidated Balance Sheet (Note 5)
Due to bank—secured by assignment of notes receivable:		
Overdraft	\$ 9,337	\$ 9,337
Bank loans	5,435,000	5,085,000
	<u>5,444,337</u>	<u>5,094,337</u>
Accounts payable and accrued liabilities		
Income taxes payable	88,007	93,007
Dealers' credit balances	13,899	13,899
	<u>239,084</u>	<u>239,084</u>
6¾% Subordinate Sinking Fund Debentures		
Series A (note 1)	1,000,000	1,000,000
Shareholders' equity (notes 1, 2, 3 and 4)		
Capital stock:		
Balance sheet:		
Authorized:		
40,000 first preference shares with a par value of \$25 each, issuable in series	\$1,000,000	
250,000 common shares without par value	—	
Issued:		
20,000 6½% cumulative redeemable convertible first preference shares Series A, with a par value of \$25 each.....	500,000	
117,400 common shares—stated value	31,200	
	<u>531,200</u>	
Pro forma balance sheet:		
Authorized:		
40,000 first preference shares with a par value of \$25 each, issuable in series	\$1,000,000	
1,000,000 common shares without par value	—	
Issued:		
20,000 6½% cumulative redeemable convertible first preference shares Series A, with a par value of \$25 each.....	500,000	
167,400 common shares—stated value	406,200	
	<u>906,200</u>	
Retained earnings	206,920	176,920
Purchase fund — in respect of 6½% cumulative redeemable convertible first preference shares Series A	10,000	10,000
	<u>748,120</u>	<u>1,093,120</u>
	<u>\$7,533,447</u>	<u>\$7,533,447</u>

Approved on behalf of the Board:

Director: (signed) J. W. Adams

Director: (signed) C. N. Chapman

See accompanying notes to financial statements.

**FRONTIER ACCEPTANCE CORPORATION LIMITED
AND ITS WHOLLY-OWNED SUBSIDIARIES**

**Notes to Consolidated Balance Sheet
and
Pro Forma Consolidated Balance Sheet
November 30, 1964**

1. As of June 15, 1964 the company issued \$1,000,000 6 3/4% Subordinated Sinking Fund Debentures Series A (hereinafter called "Series A Debentures") for a cash consideration of \$945,000. The company has covenanted to establish a sinking fund to provide for the retirement of \$50,000 principal amount of Series A Debentures on June 15 in each of the years 1965 to 1974, both inclusive, and \$100,000 principal amount of Series A Debentures on June 15, in each of the years 1975 to 1978 both inclusive. The Series A Debentures mature on June 15, 1979. Subject to certain conditions, the Series A Debentures will be redeemable, otherwise than out of sinking fund moneys, in whole or in part at a premium of 5% of such principal amount if redeemed on or before June 15, 1965 and the premium thereafter decreasing each year at the rate of 3/8 of 1% as more particularly described in the trust indenture creating the Series A Debentures.

Each principal amount of \$1,000 Series A Debenture was accompanied by Share Purchase Warrants entitling the holder thereof to purchase 15 shares of common stock at any time after December 15, 1964 and up to and including June 15, 1970 at \$7.50 per share in the period from December 16, 1964 to December 15, 1965 and increasing to \$12.50 per share on or before June 15, 1970 as described in the Share Purchase Warrants.

As long as any of the Series A Debentures are outstanding, there are certain restrictions on the payment of dividends on the common shares.

2. The 6 1/2% cumulative redeemable convertible first preference shares Series A (hereinafter called the "Preference Shares Series A") are convertible, on or before October 31, 1970, into common shares at the rate of 5 common shares for each Preference Share Series A on or before October 31, 1965 and thereafter at a declining rate, and are redeemable at a price of \$26 per share.

There are certain provisions relating to the Preference Shares Series A restricting the payment of dividends on the common shares. In addition, commencing on October 31, 1964, the company is required to enter on its books to the credit of a purchase fund certain amounts to be used for the purchase of Preference Shares Series A, for cancellation.

3. The company is making application for supplementary letters patent increasing the authorized capital of the company by creating an additional 750,000 common shares without par value ranking on a parity with the existing 250,000 common shares of the company.
4. The company has granted a share option agreement to an officer of the company which provides the officer with the right to purchase up to 3,500 common shares at \$7.50 per share and which may be exercised on a cumulative basis at the rate of 500 shares per year and terminating September 14, 1971.
5. The Pro Forma Consolidated Balance Sheet is after giving effect to the following proposed transactions as of November 30, 1964:
 - (a) The obtaining of Supplementary Letters Patent increasing the authorized capital of the Company by creating an additional 750,000 common shares without par value ranking on a parity with the existing 250,000 common shares of the Company;
 - (b) The issuance of 50,000 common shares at a price of \$7.50 per share;
 - (c) The payment of an underwriting commission of \$25,000 and the provision for expenses of \$5,000, which amounts have been charged to retained earnings;
 - (d) The reduction of the bank loans by an amount of \$350,000.

Auditors' Report

To the Directors
FRONTIER ACCEPTANCE CORPORATION LIMITED

We have examined the accompanying Consolidated Balance Sheet and Pro Forma Consolidated Balance Sheet of Frontier Acceptance Corporation Limited and its wholly-owned subsidiaries as of November 30 1964. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

We report that, in our opinion:

(1) The Consolidated Balance Sheet together with the notes thereto presents fairly the financial position of Frontier Acceptance Corporation Limited and its wholly-owned subsidiaries as of November 30, 1964, in accordance with generally accepted accounting principles.

(2) The Pro Forma Consolidated Balance Sheet together with the notes thereto presents fairly the financial position of Frontier Acceptance Corporation Limited and its wholly-owned subsidiaries as of November 30, 1964, after giving effect as of that date to the transactions set forth therein, in accordance with generally accepted accounting principles.

(signed) Peat, Marwick, Mitchell & Co.

Chartered Accountants

Toronto, Ontario
January 6, 1965

STATUTORY INFORMATION

1. The full name of the Company is FRONTIER ACCEPTANCE CORPORATION LIMITED (hereinafter called the "Company") and the address of the head office of the Company is 5385 Yonge Street, Willowdale, Ontario.

2. The Company was incorporated by Letters Patent dated May 1, 1958 under The Corporations Act of Ontario with the name O. H. I. Investments Limited. By Supplementary Letters Patent dated September 25, 1963 the name of the Company was changed to Frontier Acceptance Corporation Limited, the authorized capital of the Company was decreased by the cancellation of 620 unissued preference shares and the sub-division and reclassification of the 5,000 common shares without par value into 250,000 shares without par value. By Supplementary Letters Patent dated October 4, 1963 the authorized capital of the Company was increased by the creation of 40,000 first preference shares with a par value of \$25 each, issuable in series, and the designation of 20,000 of the said first preference shares as 6½% cumulative redeemable convertible first preference shares Series A. On the issue of Supplementary Letters Patent to be dated January 6, 1965, the authorized capital of the Company will be increased by the creation of an additional 750,000 common shares without par value.

3. The general nature of the business actually transacted by the Company and its wholly-owned subsidiaries Plumbing and Heating Finance Limited and Almort Investments Limited is (a) the purchase of retail conditional sale contracts principally resulting from time payment sales of mobile homes, automobiles, home improvements, water softeners, freezers and other durable goods, and (b) the making of loans evidenced by promissory notes and collaterally secured in all cases by mortgages of real and/or personal property of the borrower. Almort Investments Limited is incorporated pursuant to the provisions of Section 3(2) of The Corporations Act of Ontario and as such is authorized to lend and invest money on mortgage of real estate or otherwise.

4. The names in full, present occupations and home addresses in full of the officers and directors of the Company are as follows:

Officers

JOHN WILLIAM ADAMS.....	President.....	1597 Ryersie Road, London, Ontario.
CHARLES NORMAN CHAPMAN.....	Vice-President.....	51 Westchester Drive, London, Ontario.
THOMAS HARVEY OSBORNE.....	Vice-President and General Manager.....	23 Westwood Lane, Thornhill, Ontario.
HOWARD LESLIE KIRBY.....	Vice-President, Sales.....	8 Gosling Road, Maple, Ontario.
ROBERT WILLIAM STEVENS.....	Secretary.....	39 St. Andrews Gardens, Toronto, Ontario.
PETER JOHN IVEY.....	Assistant Secretary.....	1132 Richmond Street, London, Ontario.

Directors

JOHN WILLIAM ADAMS.....	Executive.....	1597 Ryersie Road, London, Ontario.
BENTLEY IVAN BALDWIN.....	Executive.....	1109 The Parkway, London, Ontario.
CHARLES NORMAN CHAPMAN.....	Executive.....	51 Westchester Drive, London, Ontario.
MURRAY JOSEPH HOWE.....	Investment Dealer.....	347 Rosslyn Drive, Burlington, Ontario.
CHARLES EDWARD ISARD.....	Investment Dealer.....	101 Cheapside Street, London, Ontario.
PETER JOHN IVEY.....	Executive.....	1132 Richmond Street, London, Ontario.
FRANK TRYSMAN SHERK.....	Executive.....	307 Lawrence Avenue East, Toronto, Ontario.
JOHN MARTIN STEVENS.....	Executive.....	324 St. George Street, London, Ontario.

5. The auditors of the Company are Messrs. Peat, Marwick, Mitchell & Co., Chartered Accountants, 4 King Street West, Toronto, Ontario.

6. The transfer agent and registrar for the common shares without par value and the 6½% cumulative redeemable convertible first preference shares Series A with a par value of \$25 each is The Royal Trust Company at its principal offices in the cities of Toronto and Montreal.

The transfer agent and registrar for the 6¾% Subordinated Sinking Fund Debentures Series A (hereinafter called "Series A Debentures") is Montreal Trust Company at its principal offices in the cities of Toronto and Montreal.

7. The authorized capital of the Company consists of 40,000 first preference shares with a par value of \$25 each, issuable in series, of which 20,000 of the said first preference shares have been designated as 6½% cumulative redeemable convertible first preference shares Series A, and 250,000 common shares without par value. Of the authorized shares, all of the said 6½% cumulative redeemable convertible first preference shares Series A and 117,400 of the said common shares are issued and outstanding and are fully paid and non-assessable.

The Company has applied to the Lieutenant-Governor of the Province of Ontario for supplementary letters patent increasing the authorized capital of the Company by the creation of an additional 750,000 common shares without par value, and the offer made by this prospectus is subject to such supplementary letters patent actually being issued.

8. The first preference shares, as a class, and the 6½% cumulative redeemable convertible first preference shares Series A (hereinafter called "preference shares Series A") have attached thereto the preferences, rights, conditions, restrictions, limitations and prohibitions substantially as follows:

FIRST PREFERENCE SHARES, AS A CLASS

(a) The first preference shares may at any time or from time to time be issued in one (1) or more series, each series to consist of such number of shares as may before the issue thereof be determined by the directors; the directors of the Company may (subject as hereinafter provided) by resolution fix from time to time before the issue thereof the designation, preferences, rights, conditions, restrictions, limitations or prohibitions attaching to the first preference shares of each series including, without limiting the generality of the foregoing, the rate of preferential dividends, the dates of payment thereof, the redemption price and terms and conditions of redemption, conversion rights (if any) and any sinking fund or other provisions, the whole subject to the issue of Supplementary Letters Patent setting forth the designation, preferences, rights, conditions, restrictions, limitations or prohibitions attaching to the first preference shares of such series;

(b) The first preference shares of each series shall be entitled to preference over the common shares of the Company, and any other shares ranking junior to the first preference shares, with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs and may also be given such other preferences over the common shares of the Company and any other shares ranking junior to the first preference shares as may be determined as to the respective series authorized to be issued;

(c) The first preference shares of each series shall rank on a parity with the first preference shares of every other series with respect to priority in payment of dividends and in the distribution of assets in the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of the assets of the Company among its shareholders for the purpose of winding up its affairs; no series of first preference shares shall be authorized which shall have a dividend rate in excess of eight per cent (8%) per annum on the amounts from time to time paid up thereon or be entitled to receive upon liquidation, dissolution or winding up or upon redemption a sum in excess of one hundred and ten per cent (110%) of the amounts paid up thereon plus a sum equivalent to all unpaid dividends accumulated thereon.

(d) No dividends shall at any time be declared or paid on or set apart for payment on any shares of the Company ranking junior to the first preference shares unless all dividends up to and including the dividend payable for the last completed quarter on each series of the first preference shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such declaration or payment or setting apart for payment on such shares of the Company ranking junior to the first preference shares nor shall the Company call for redemption or purchase for cancellation or reduce or otherwise pay off less than all of the first preference shares then outstanding or any shares of the Company ranking junior to the first preference shares unless all dividends up to and including the dividend payable for the last completed quarter on each series of the first preference shares then issued and outstanding shall have been declared and paid or set apart for payment at the date of such call for redemption, purchase, reduction or other payment off;

(e) The holders of the first preference shares shall not be entitled as such (except as herein-after specifically provided) to receive notice of or to attend any meeting of the shareholders of the Company or to vote at any such meeting (but shall be entitled to receive notice of meetings of shareholders of the Company called for the purpose of authorizing the dissolution of the Company or the sale of its undertaking or a substantial part thereof) unless and until the Company from time to time shall fail to pay in the aggregate eight (8) quarterly dividends on the first preference shares of any one (1) series on the dates on which the same should be paid according to the terms thereof and unless and until eight (8) quarterly dividends on such shares shall remain outstanding and be unpaid whether or not consecutive and whether or not such dividends have been declared and whether or not there are any moneys of the Company properly applicable to the payment of dividends; thereafter but only so long as any dividends on the first preference shares of any series remain in arrears the holders of the first preference shares shall be entitled to receive notice of and to attend all meetings of shareholders of the Company and shall be entitled to one (1) vote in respect of each first preference share held and shall be entitled, voting separately and as a class, to elect two (2) members of the board of directors of the Company if the board consists of seven (7) or fewer directors and three (3) members of the board of directors if the board consists of more than seven (7) directors; nothing herein contained shall be deemed to limit the right of the Company from time to time to increase or decrease the number of its directors;

Notwithstanding anything contained in the by-laws of the Company, all directors of the Company in office at any time when the right to elect directors shall accrue to the holders of first preference shares as herein provided, or who may be elected as directors thereafter and before a meeting of shareholders hereinafter referred to, shall retire at the next annual meeting of shareholders or at a general meeting of shareholders which may be held for the purpose of electing directors at any time after the accrual of such right, but such retiring directors shall be eligible for re-election; any such general meeting of shareholders to elect directors may be called upon not less than twenty (20) days' written notice and shall be called by the secretary of the Company upon the written request of the holders of record of at least one-tenth (1/10) of the outstanding first preference shares; in default of the calling of such general meeting by the secretary within ten (10) days after the making of such request, such meeting may be called by any holder of record of first preference shares; any vacancy or vacancies occurring among members of the board elected to represent the holders of first preference shares in accordance with the foregoing provisions may be filled by the board of directors with the consent and approval of the remaining director or directors elected to represent the holders of first preference shares but if there be no such remaining director or directors, the board may elect or appoint sufficient holders of first preference shares to fill the vacancy or vacancies; whether or not such vacancy or vacancies is or are so filled

by the board, the holders of record of at least one-tenth (1/10) of the outstanding first preference shares shall have the right to require the secretary of the Company to call a meeting of the holders of first preference shares for the purpose of filling the vacancy or vacancies and the provisions of this paragraph shall apply with respect to the calling of any such meeting;

Notwithstanding anything contained in the by-laws of the Company (i) upon any termination of the voting rights of the holders of the first preference shares, the term of office of the directors elected to represent the holders of first preference shares shall forthwith terminate and (ii) the holding of one (1) first preference share shall be sufficient to qualify a person for election or appointment as a director of the Company; and

(f) The authorization required by subsection 4 of section 33 of The Corporations Act to delete or vary any preference, right, condition, restriction, limitation or prohibition attaching to the first preference shares as a class or to create preference shares ranking in priority to or on a parity with the first preference shares may be given by at least two-thirds (%) of the votes cast at a meeting of the holders of the first preference shares duly called for that purpose and held upon at least fifteen (15) days' notice at which the holders of at least a majority of the outstanding first preference shares are present or represented by proxy; if at any such meeting the holders of a majority of the outstanding first preference shares are not present or represented by proxy within one-half (½) hour after the time appointed for such meeting, then the meeting shall be adjourned to such date being not less than twenty-one (21) days later and to such time and place as may be appointed by the chairman and not less than fifteen (15) days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called; at such adjourned meeting the holders of first preference shares present or represented by proxy may transact the business for which the meeting was originally called and a resolution passed thereat by not less than two-thirds (%) of the votes cast at such meeting shall constitute the authorization of the holders of the first preference shares referred to above; the formalities to be observed in respect of the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed by the by-laws of the Company with respect to meetings of shareholders.

PREFERENCE SHARES SERIES A

(1) The holders of the preference shares Series A shall be entitled to receive and the Company shall pay thereon as and when declared by the board of directors out of the moneys of the Company properly applicable to the payment of dividends fixed cumulative preferential cash dividends at the rate of six and one-half per cent (6½%) per annum payable quarterly on the last days of January, April, July and October in each year on the amounts from time to time paid up thereon; such dividends shall accrue from such date or dates not later than six (6) months after the respective dates of issue as may in the case of each issue be determined by the board of directors of the Company or in case no date be so determined then from the date of allotment; cheques of the Company payable at par at any branch of the Company's bankers for the time being in Canada (far northern branches excepted) shall be issued in respect of such dividends; if on any dividend payment date the dividend payable on such date is not paid in full on all of the preference shares Series A then issued and outstanding, such dividend or the unpaid part thereof shall be paid on a subsequent date or dates determined by the board of directors of the Company on which the Company shall have sufficient moneys properly applicable to the payment of the same; the holders of the preference shares Series A shall not be entitled to any dividends other than or in excess of the cash dividends hereinbefore provided for;

(2) In the event of the liquidation, dissolution or winding up of the Company or any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs the holders of the preference shares Series A shall be entitled to receive the amount paid up on such shares together with all accrued and unpaid preferential dividends (which for such purpose shall be calculated as if such dividends were accruing for the period from the expiration of the last quarterly period for which dividends have been paid up to the date of distribution) before any amount shall be paid or any property or assets of the Company distributed to the holders of common shares or shares of any other class ranking junior to the preference shares Series A; after payment to the holders of the preference shares Series A of the amount so payable to them they shall not be entitled to share in any further distribution of the property or assets of the Company;

(3) Subject to the provisions of clause (d) of the provisions attaching to the first preference shares as a class, the Company may at any time or times purchase (if obtainable) for cancellation all or any part of the preference shares Series A outstanding from time to time in the market (including purchase through or from an investment dealer or firm holding membership on a recognized stock exchange) or by invitation for tenders addressed to all the holders of record of the preference shares Series A outstanding at the lowest price or prices at which, in the opinion of the directors, such shares are obtainable but the price paid for any preference share Series A shall not exceed the redemption price of such share plus reasonable costs of purchase; if upon any invitation for tenders under the provisions of this clause the Company shall receive tenders at the lowest price which the Company may be willing to pay for more preference shares Series A than the Company is prepared to accept, the preference shares Series A so tendered shall be purchased as nearly as may be pro rata (disregarding fractions) according to the number of preference shares Series A so tendered by each holder thereof;

(4) Subject to the provisions of clause (d) of the provisions attaching to the first preference shares as a class, the Company may upon giving notice as hereinafter provided redeem at any time the whole or from time to time any part of the then outstanding preference shares Series A on payment for each share to be redeemed of the amount paid up on such share together with a premium of four per cent (4%) thereof and all accrued and unpaid preferential dividends (which for such purpose shall be calculated as if the dividends on the preference shares Series A were accruing for the period from the expiration of the last quarterly period for which dividends have been paid up to the date of such redemption);

(5) In any case of redemption of preference shares Series A under the provisions of clause (4) hereof, the Company shall at least thirty (30) days before the date specified for redemption mail to each person who at the date of mailing is a registered holder of preference shares Series A to be redeemed a notice in writing of the intention of the Company to redeem such preference shares Series A; such notice shall be mailed in a prepaid letter addressed to each such shareholder at his address as it appears on the books of the Company or in the event of the address of any such shareholder not so appearing then to the last known address of such shareholder, provided, however, that accidental failure or omission to give any such notice to one (1) or more of such holders shall not affect the validity of such redemption; such notice shall set out the redemption price and the date on which redemption is to take place and if part only of the preference shares Series A held by the person to whom it is addressed is to be redeemed the number thereof so to be redeemed; on or after the date so specified for redemption the Company shall pay or cause to be paid to or to the order of the registered holders of the preference shares Series A to be redeemed the redemption price on presentation and surrender at the head office of the Company or any other place designated in such notice of the certificates representing the preference shares Series A so called for redemption; such payment shall be made by cheques payable at par at any branch of the Company's bankers for the time being in Canada (far northern branches excepted); if a part only of the preference shares Series A represented by any certificate shall be redeemed, a new certificate for the balance shall be issued at the expense of the Company; from and after the date specified for redemption in any such notice, the preference shares Series A called for redemption shall cease to be entitled to dividends and the holders thereof shall not be entitled to exercise any of the rights of shareholders in respect thereof unless payment of the redemption price shall not be made upon presentation of certificates in accordance with the foregoing provisions, in which case the rights of the holders shall remain unaffected; the Company shall have the right at any time after the mailing of notice of its intention to redeem any preference shares Series A as aforesaid to deposit the redemption price of the preference shares Series A so called for redemption or of such of the said shares represented by certificates as have not at the date of such deposit been surrendered by the holders thereof in connection with such redemption to a special account in any chartered bank or any trust company in Canada named in such notice to be paid without interest to or to the order of the respective holders of such preference share Series A called for redemption upon presentation and surrender to such bank or trust company of the certificates representing the same and upon such deposit being made or upon the date specified for redemption in such notice, whichever is the later, the preference shares Series A in respect whereof such deposit shall have been made shall be redeemed and the rights of the holders thereof after such deposit or such redemption date, as the case may be, shall be limited to receiving without interest their proportionate part of the total redemption price so deposited against presentation and surrender of the said certificates held by them respectively; any interest allowed on any such deposit shall belong to the Company;

(6) So long as any of the preference shares Series A are outstanding, the Company shall not

- (i) declare or pay any dividends (other than stock dividends in shares of the Company ranking junior to the preference shares Series A) on any of its shares at any time outstanding and ranking junior to the preference shares Series A; or
- (ii) redeem, reduce, purchase or otherwise pay off any of its shares at any time outstanding and ranking junior to the preference shares Series A (except out of the proceeds of an issue of shares ranking junior to the preference shares Series A made at any time after the last day of October, A.D. 1963, and prior to or contemporaneously with any such redemption, reduction, purchase or payment); or
- (iii) elect to pay any tax on undistributed income under the provisions of Section 105 of the Income Tax Act (Revised Statutes of Canada 1952, Chapter 148) as now enacted or as the same may from time to time be amended or re-enacted or elect to pay any tax under any similar provisions

if immediately after giving effect to any such action the aggregate amount (a) declared and/or paid as dividends (other than stock dividends as aforesaid) and (b) paid on or in connection with the redemption, reduction, purchase or payment off of any of its shares at any time outstanding and ranking junior to the preference shares Series A (except amounts paid on or in connection with the redemption, reduction, purchase or payment off out of the proceeds of an issue of shares as aforesaid) and (c) paid by way of tax on undistributed income as aforesaid, in each case subsequent to the thirty-first day of March, A.D. 1963, plus an amount equal to three (3) times the annual dividend requirements on all the first preference shares outstanding on the date of any such action would exceed consolidated net earnings of the Company and its subsidiaries earned subsequent to the thirty-first day of March, A.D. 1963;

For the purposes of this clause (6) the directors of the Company may from time to time determine the consolidated net earnings of the Company and its subsidiaries as of a date not more than ninety (90) days prior to the making of such determination and may determine such consolidated net earnings to be not less than a stated amount without determining the exact amount thereof; in making any such determination the directors shall consider and may rely on the last available audited consolidated balance sheet of the Company and its subsidiaries and/or the last available audited balance sheet of the Company reported on by the Company's auditors and may consider and rely on the last available unaudited consolidated balance sheet of the Company and its subsidiaries and/or the last available unaudited balance sheet of the Company prepared by the accounting officers of the Company and upon any other financial statement, report or other data which they may consider reliable provided that the directors shall not make any such determination on the basis of any such balance sheet, statement, report or other data if to their knowledge any event has happened which would materially and adversely affect such consolidated net earnings as determined on such basis; upon any determination having been made by the directors under the provisions hereof the consolidated net earnings of the Company and its subsidiaries as at any date within a period of ninety (90) days following the date as of which such determination is made (unless any further determination of such consolidated net earnings is so made within the said period) shall be conclusively deemed to be not less than the amount stated in such determination and such

determination shall be conclusive and binding on the Company and the holders of shares of every class;

(7) Upon and subject to the terms and conditions hereinafter set forth, each preference share Series A shall be convertible at the option of the holder thereof at any time prior to 5:00 p.m. Eastern Standard Time on the last day of October, A.D. 1970, subject as hereinafter provided, into fully paid and non-assessable common shares of the Company upon the following basis: (i) five (5) common shares for each one (1) preference share Series A in respect of which the conversion privilege is exercised on or before the last day of October, A.D. 1965, (ii) four (4) common shares for each one (1) preference share Series A in respect of which the conversion privilege is exercised after the last day of October, A.D. 1965 and on or before the last day of October, A.D. 1967, (iii) three (3) common shares for each one (1) preference share Series A in respect of which the conversion privilege is exercised after the last day of October, A.D. 1967 and on or before the last day of October, A.D. 1969, and (iv) two and one-half ($2\frac{1}{2}$) common shares for each one (1) preference share Series A in respect of which the conversion privilege is exercised after the last day of October, A.D. 1969 and on or before the last day of October, A.D. 1970; in the case of any preference share Series A which may be called for redemption, notwithstanding anything herein contained, the right of conversion thereof shall cease and terminate at the close of business on the last business day preceding the date fixed for redemption, provided however that, if the Company shall fail to redeem such preference share Series A in accordance with the notice of redemption, the right of conversion shall thereupon be restored and continue as before; if upon the conversion of one (1) or more preference shares Series A at the rates herein provided into the maximum number of common shares into which such preference shares Series A are convertible a holder of preference shares Series A shall become entitled to a fraction of a common share, a bearer fractional certificate shall be issued in respect thereof;

In the event of any consolidation, subdivision or change in the common shares of the Company at any time while any of the preference shares Series A are convertible into a different number or a different class or classes of shares, the Company shall deliver at the time of the exercise thereafter of the right of conversion by the holders of any such preference shares Series A a certificate or certificates for such different number or different class or classes of shares as would have resulted from such consolidation, subdivision or change if the right of conversion had been exercised immediately prior to the date of such consolidation, subdivision or change;

In case the Company shall at any time or from time to time after the last day of October, A.D. 1963 and on or before 5:00 p.m. Eastern Standard Time on the last day of October, A.D. 1970 issue any common shares for a consideration per share (calculated as hereinafter provided) different from the conversion price (as hereinafter defined) in effect immediately prior to the issue of such common shares or without consideration, then and thereafter successively upon each such issue the conversion price in effect immediately prior to the issue of such common share shall forthwith be and be deemed to be adjusted to a price (computed in the case of fractions to the next higher cent) determined by dividing (a) an amount equal to the sum of (i) the number of common shares of the Company outstanding on the last day of October, A.D. 1963 multiplied by Five dollars (\$5) if such computation is made on or before the last day of October, A.D. 1965, or multiplied by Six dollars and Twenty-five cents (\$6.25) if such computation is made after the last day of October, A.D. 1965 and on or before the last day of October, A.D. 1967, or multiplied by Eight dollars and Thirty-three cents (\$8.33) if such computation is made after the last day of October, A.D. 1967 and on or before the last day of October, A.D. 1969, or multiplied by Ten dollars (\$10) if such computation is made after the last day of October, A.D. 1969 and on or before the last day of October, A.D. 1970, plus (ii) the aggregate consideration received by the Company for all common shares issued after the last day of October, A.D. 1963, by (b) an amount equal to the sum of (i) the number of common shares outstanding on the last day of October, A.D. 1963 (increased or decreased to the extent that the number of common shares outstanding on the last day of October, A.D. 1963 shall thereafter be increased or decreased by any subdivision or consolidation thereof) plus (ii) the number of all common shares of the Company issued after the last day of October, A.D. 1963 (increased or decreased to the extent that the number of such common shares shall after the issue thereof be increased or decreased by any subdivision or consolidation thereof); provided that, if the conversion price is so adjusted at any time or from time to time on or before the last day of October, A.D. 1965, it shall immediately be readjusted in accordance with the foregoing on the first day of November, A.D. 1965 as if all additional common shares theretofore issued had only been issued on the first day of November, A.D. 1965 and the conversion price as so determined or, if no adjustment is required to be made as aforesaid on or before the last day of October, A.D. 1965, then the conversion price prevailing on the first day of November, A.D. 1965 or as it may be adjusted or further adjusted as the case may be at any time or from time to time thereafter and on or before the last day of October, A.D. 1967 shall be immediately readjusted in accordance with the foregoing on the first day of November, A.D. 1967 as if all additional common shares theretofore issued had only been issued on the first day of November, A.D. 1967 and the conversion price as so determined or, if no adjustment is required to be made as aforesaid on or before the last day of October, A.D. 1967 then the conversion price prevailing on the first day of November, A.D. 1967 or as it may be adjusted or further adjusted as the case may be at any time or from time to time thereafter and on or before the last day of October, A.D. 1969 shall be immediately readjusted in accordance with the foregoing on the first day of November, A.D. 1969 as if all additional common shares theretofore issued had only been issued on the first day of November, A.D. 1969; provided further that the conversion price in effect at any time shall not exceed the maximum fixed and determined as hereinafter provided; for the purpose of any adjustment of the conversion price as aforesaid, the conversion price applicable at any particular time shall be an amount expressed in dollars equal to the quotient obtained by dividing twenty-five (25) by the number of common shares into which each preference share Series A is convertible at the particular time and the following provisions shall be applicable:

- (i) in case of the issue after the last day of October, A.D. 1963 and prior to 5:00 p.m., Eastern Standard Time, on the last day of October, A.D. 1970 of any common shares for cash, the consideration received by the Company therefor shall be deemed to be the

amount of cash received by the Company for such common shares plus the amount, if any, of any commission which may have been paid or incurred by the Company for any underwriting of or otherwise in connection with the issue or sale of such common shares;

- (ii) in case of the issue after the last day of October, A.D. 1963 and prior to 5:00 p.m., Eastern Standard Time, on the last day of October, A.D. 1970 of common shares of the Company as a dividend upon any shares of the Company or in payment of a dividend thereon, the Company shall be deemed to have issued such common shares without consideration;
- (iii) in case of the issue after the last day of October, A.D. 1963 and prior to 5:00 p.m., Eastern Standard Time, on the last day of October, A.D. 1970 of common shares as a result of the conversion or exchange of any obligations of the Company into common shares, the amount of the consideration received by the Company for such common shares shall be deemed to be the principal amount of such obligations so converted into or exchanged for such common shares plus the amount, if any, paid to the Company on such conversion or exchange or less the amount, if any, paid by the Company on such conversion or exchange;
- (iv) in case of the issue after the last day of October, A.D. 1963 and prior to 5:00 p.m., Eastern Standard Time, on the last day of October, A.D. 1970 of common shares as a result of the conversion or exchange of any shares of the Company that shall be convertible into or exchangeable for common shares, the amount of consideration received by the Company for such common shares shall be deemed to be the amount of the consideration received by the Company for the shares so converted or exchanged plus the amount, if any, paid to the Company on such conversion or exchange or less the amount, if any, paid by the Company for the shares so converted or exchanged shall be computed in like manner to that provided in subdivisions (i) and (ii) of this clause (7) if such shares were issued for cash or in payment or satisfaction of a dividend and if such shares were issued for a consideration other than cash or for a consideration a part of which was other than cash the amount of consideration other than cash received by the Company for the shares so converted or exchanged shall be deemed to be the value of such consideration as determined by the directors of the Company at the time of the issue of such shares;
- (v) in case of the issue after the last day of October, A.D. 1963 and prior to 5:00 p.m., Eastern Standard Time, on the last day of October, A.D. 1970 (otherwise than upon conversion or exchange of obligations or shares of the Company) of common shares of the Company for a consideration other than cash or for a consideration a part of which was other than cash, the amount of the consideration other than cash received by the Company for such common shares shall be deemed to be the value of such consideration as determined by the directors at the time of the issue of such common shares;
- (vi) any adjustments in the conversion price required to be made in accordance with the provisions of this clause (7) by reason of the issue of common shares of the Company upon the conversion or exchange of convertible obligations or convertible shares of the Company shall be made only as of the close of business on the last day of April and the last day of October in each calendar year in respect of the common shares issued upon such conversion or exchange during the preceding six (6) months and as of the close of business on the day upon which the right to convert or exchange such convertible or exchangeable obligations or shares shall expire in respect of common shares so issued between the close of business on the preceding last day of April or last day of October, as the case may be, and the close of business on the day on which such right of conversion or exchange shall expire;
- (vii) for the purpose of any adjustment in the conversion price required to be made in accordance with the provisions of this clause (7), the aggregate consideration received by the Company for additional common shares shall be the consideration received by the Company computed in accordance with the foregoing provisions of this clause (7) plus (i) if the computation is being made after the last day of October, A.D. 1965 and on or before the last day of October, A.D. 1967, an amount of One dollar and Twenty-five cents (\$1.25) for each common share the date of issue of which was after the last day of October, A.D. 1963 and on or before the last day of October, A.D. 1965 or (ii) if the computation is being made after the last day of October, A.D. 1967 and on or before the last day of October, A.D. 1969, an amount of Three dollars and Thirty-three cents (\$3.33) for each common share the date of issue of which was after the last day of October, A.D. 1963 and on or before the last day of October, A.D. 1965 and Two dollars and Eight cents (\$2.08) for each common share the date of issue of which was after the last day of October, A.D. 1965 and on or before the last day of October, A.D. 1967, or (iii) if the computation is being made after the last day of October, A.D. 1969 and on or before the last day of October, A.D. 1970, an amount of Five dollars (\$5) for each common share the date of issue of which was after the last day of October, A.D. 1963 and on or before the last day of October, A.D. 1965 and Three dollars and Seventy-five cents (\$3.75) for each common share the date of issue of which was after the last day of October, A.D. 1965 and on or before the last day of October, A.D. 1967 and One dollar and Sixty-seven cents (\$1.67) for each common share the date of issue of which was after the last day of October, A.D. 1967 and on or before the last day of October, A.D. 1969;

Anything in this clause (7) to the contrary notwithstanding, the conversion price shall not exceed a maximum of Five dollars (\$5) per common share on or before the last day of October, A.D. 1965; thereafter and on or before the last day of October, A.D. 1967, the conversion price shall not exceed a maximum of Six dollars and Twenty-five cents (\$6.25) per common share; thereafter and on or before the last day of October, A.D. 1969, the conversion price shall not exceed a maximum of Eight dollars and Thirty-three cents (\$8.33) per common share; thereafter and on or before the last day of October, A.D. 1970, the conversion price shall not exceed a maximum of

Ten dollars (\$10) per common share; provided that, in case the common shares of the Company at any time outstanding shall be subdivided into a greater or consolidated into a lesser number of common shares, such maximum shall thereupon be an amount which shall bear the same relation to the maximum established immediately prior to such subdivision or consolidation as the total number of common shares outstanding immediately prior to such subdivision or consolidation shall bear to the total number of common shares outstanding immediately after such subdivision or consolidation;

In the event of any adjustment of the conversion price in accordance with this clause (7), each preference share Series A shall thereafter be convertible into a number of common shares determined by dividing twenty-five (25) by the conversion price resulting from such adjustment;

The holder of preference shares Series A desiring to convert his preference shares Series A into common shares in accordance with the foregoing shall surrender the certificate or certificates representing his preference shares Series A so to be converted to the Company at its head office or to the transfer agent, if any, for the time being of the preference shares Series A together with a written request for such conversion in such form and with such verification of signature as the directors of the Company may from time to time require; the conversion shall be deemed to take effect as of the date upon which the said certificate or certificates shall be surrendered to the Company at its head office or to the transfer agent, as the case may be, accompanied by the said written request unless such date be a Saturday or a holiday in which event it shall take effect on the next business day; in the event that part only of the preference shares Series A represented by any certificate shall be converted, a certificate for the remainder of the preference shares Series A represented by the said certificate shall be delivered to the holder without charge; there shall be no payment or adjustment on account of any accumulated or unpaid dividends on the preference shares Series A converted or on account of any dividends on the common shares resulting from such conversion;

(8) The Company shall not issue any first preference shares in excess of the Twenty thousand (20,000) preference shares Series A without the prior approval of the holders of the preference shares Series A given as hereinafter specified unless the consolidated net earnings as herein defined of the Company and its subsidiaries for any period of twelve (12) consecutive months out of the eighteen (18) months immediately preceding the date of issuance have been at least equal to three times the annual dividend requirements on all the first preference shares to be outstanding immediately after such issue; a report of the Company's auditors for the time being as to whether the Company is or is not entitled to issue any first preference shares without the prior approval aforesaid shall be conclusive and binding on the Company and the holders of shares of every class;

(9) Subject as hereinafter provided and subject to the provisions of clause (d) of the provisions attaching to the first preference shares as a class, so long as any of the preference shares Series A are outstanding, the Company shall, on or before the last day of October in each year, commencing on the last day of October, A.D. 1964, enter on its books to the credit of a purchase fund, an amount to be used for the purchase of preference shares Series A for cancellation equal to the lesser of (i) two per cent (2%) of the aggregate par value of the greatest number of preference shares Series A theretofore issued in each of the years 1964 to 1970, inclusive, and five per cent (5%) of the aggregate par value of the greatest number of preference shares Series A theretofore issued in each year after the year 1970, or (ii) the whole of the consolidated net earnings of the Company and its subsidiaries for the preceding fiscal year after deducting therefrom the amount of dividends on the preference shares Series A and all other series of first preference shares for such fiscal year and the amount of accumulated and unpaid dividends thereon for any preceding year or years to the extent that deduction has not been previously made for such accumulated and unpaid dividends in calculating purchase fund requirements; provided that if under the foregoing provisions the Company would be required to set aside in any year an amount which, when added to the amounts theretofore set aside as a purchase fund and not used or applied for the purposes hereinafter provided, would aggregate an amount in excess of \$50,000, then the Company in such year shall only be required to set aside for purchase fund purposes an amount which, when added to the said amounts theretofore set aside and not used or applied as aforesaid, will equal \$50,000;

Subject to the provisions of clause (d) of the provisions attaching to the first preference shares as a class the amounts from time to time set aside as a purchase fund in respect of the preference shares Series A shall be applied as soon as practicable to the purchase of preference shares Series A (if obtainable) in the market at the lowest price or prices at which in the opinion of the board of directors such shares are obtainable but not exceeding the redemption price of such shares plus reasonable costs of purchase; to the extent to which preference shares Series A cannot be so purchased, the Company shall not be obligated to make any application of the purchase fund in the purchase of preference shares Series A but shall reserve the same until such shares in the opinion of the board of directors can be so purchased and so on from time to time so long as any of the preference shares Series A shall be outstanding; any amounts set aside in the purchase fund in accordance with the foregoing provisions need not be kept separate from other moneys of the Company and, pending the use or application thereof for the purpose hereinbefore provided, may be employed in the business of the Company; for all purposes of this clause (9) the Company may at any time anticipate the whole or any part of its purchase fund obligations by purchasing or redeeming or through the conversion of preference shares Series A as herein provided and applying the cost of or amount required to redeem such preference shares Series A purchased or redeemed and the par value of such preference shares Series A converted in reduction of any purchase fund obligations thereafter becoming due;

(10) No class of shares may be created or issued ranking as to capital or dividends prior to or on a parity with the first preference shares without the approval of the holders of the preference shares Series A given as hereinafter specified nor shall the authorized amount of first preference shares be increased without such approval; provided that nothing in this clause (10) contained shall prevent the Company from issuing additional series of the first preference shares without such approval;

(11) In these share provisions, the following terms shall have the following respective meanings:

- (a) "subsidiary company" or "subsidiary" means any corporation or company of which more than fifty per cent (50%) of the outstanding voting shares are for the time being owned by or held for the Company and/or any subsidiary of the Company and includes any corporation or company in like relation to a subsidiary; "voting shares" as used in this definition means shares of any class carrying voting rights but shall not include shares of any class carrying limited voting rights or carrying voting rights by reason of the happening of any contingency whether or not such contingency shall have happened;
- (b) "consolidated net earnings" means all the gross earnings and income of the Company and its subsidiary companies from all sources less all administrative, selling and operating charges and expenses of every character and all fixed charges of the Company and its subsidiary companies (but excluding gains or losses on the disposal of investments and fixed assets) arrived at on a consolidated basis in accordance with generally accepted accounting procedures; without limitation of the generality of the foregoing, operating expenses shall include insurance, maintenance, repairs, renewals (except such expenditures for renewals as are charged to capital account in accordance with generally accepted accounting procedures), rentals, licenses, taxes (including taxes on income) and all interest and such provisions or allowances for bad and doubtful debts as the directors in their discretion with the approval of the Company's auditors, may determine, and, in addition to actual expenditures for maintenance, reasonable allowance for depreciation; the net earnings of any subsidiary company for the purpose of this definition shall only include such part of the net earnings and income of such subsidiary company calculated as aforesaid as under generally accepted accounting procedures is applicable to those shares of such subsidiary company which are held by the Company or any other subsidiary company; if, at the time of determining consolidated net earnings for any past period, the Company or any subsidiary has acquired, is in the process of acquiring, or proposes to acquire, any property or any shares of any other company (sufficient with any shares of such other company already owned by the Company or a subsidiary to result in such other company becoming a subsidiary) and if the net proceeds of a then proposed issue of first preference shares are to be applied directly or indirectly towards the cost of or in reimbursement of the cost of the acquisition of such property or shares (as to which a resolution of the directors shall be conclusive and binding) then the net earnings or net losses of such property or such other company for the same past period (calculated in accordance with the provisions herein contained respecting consolidated net earnings) shall, if in the opinion of the Company's auditors the Company has access to data sufficient to enable such auditors to determine such net earnings or net losses, be treated as net earnings or net losses as the case may be in the computation of consolidated net earnings; subject to the foregoing provisions hereof and for the purposes of clauses (8) and (9) consolidated net earnings shall be determined by the auditors of the Company;

(12) The foregoing provisions, the provisions of this clause and the provisions of clause (13) hereof may be deleted, varied, modified, amended or amplified by supplementary letters patent but only with the approval of the holders of the preference shares Series A given as hereinafter specified, in addition to any vote or authorization required by The Corporations Act;

(13) The approval of holders of the preference shares Series A as to any and all matters referred to herein (in addition to or as distinct from any vote or authorization required by The Corporations Act) may be given by resolution passed at a meeting of the holders of the preference shares Series A duly called and held upon at least fifteen (15) days' notice at which the holders of at least a majority of the outstanding preference shares Series A are present or represented by proxy and carried by the affirmative vote of the holders of not less than two-thirds (%) of the preference shares Series A represented and voted at such meeting cast on a poll; if at any such meeting the holders of a majority of the outstanding preference shares Series A are not present or represented by proxy within half an hour after the time appointed for the meeting, then the meeting shall be adjourned to such date being not less than twenty-one (21) days later and to such time and place as may be appointed by the chairman and at least fifteen (15) days' notice shall be given of such adjourned meeting but it shall not be necessary in such notice to specify the purpose for which the meeting was originally called; at such adjourned meeting the holders of preference shares Series A present in person or represented by proxy may transact the business for which the meeting was originally convened and a resolution passed thereat by the affirmative vote of the holders of not less than two-thirds (%) of the preference shares Series A represented and voted at such adjourned meeting cast on a poll shall constitute the approval of the holders of preference shares Series A referred to above; the formalities to be observed with respect to the giving of notice of any such meeting or adjourned meeting and the conduct thereof shall be those from time to time prescribed in the by-laws of the Company with respect to meetings of shareholders; on every poll taken at every such meeting or adjourned meeting every holder of preference shares Series A shall be entitled to one vote in respect of each preference share Series A held.

Any authorization required by subsection 4 of section 33 of The Corporation Act may be given by at least two-thirds (%) of the votes cast at a meeting of the holders of the preference shares Series A duly called for that purpose.

The holders of common shares are entitled to one vote per share.

9. The Company has issued \$1,000,000 principal amount of 6 $\frac{3}{4}$ % Subordinated Sinking Fund Debentures Series A (herein referred to as the "Series A Debentures") of which the entire \$1,000,000 principal amount is presently outstanding. The indebtedness represented by the Series A Debentures is unsecured.

The Series A Debentures are issued under the provisions of a Trust Indenture dated as of June 15, 1964 between the Company and Montreal Trust Company as Trustee (hereinafter called the "Trust Indenture"). The principal amount of Subordinated Debentures at any one time to be outstanding under the Trust Indenture is unlimited.

The Trust Indenture provides, in effect, for a sinking fund for the retirement of \$50,000 principal amount of Series A Debentures on June 15 in each of the years 1965 to 1974, both inclusive, and \$100,000 principal amount of Series A Debentures on June 15 in each of the years 1975 to 1978, both inclusive.

The Company has covenanted in the Trust Indenture substantially to the effect that so long as any of the Series A Debentures are outstanding it will not:

- (a) directly or indirectly declare or pay cash dividends on any of its shares (other than cumulative preferential cash dividends at the rate of \$1.62½ per share per annum in respect of the 20,000 preference shares Series A of the Company outstanding on June 15, 1964) at any time outstanding or redeem, reduce, purchase or retire any of its shares at any time outstanding (except out of the proceeds of an issue of its shares made prior to, or concurrently with, any such payment, redemption, reduction, purchase or retirement, or except in exchange for any of its shares) or permit any Subsidiary (other than a Subsidiary all of whose outstanding shares are owned by the Company and/or another Subsidiary) to do so or redeem, reduce, purchase or retire any of its Subordinated Debt (except at maturity or by way of mandatory retirement provisions or for the purpose of refunding such Subordinated Debt at a lower net interest rate) if, immediately after giving effect thereto the aggregate principal amount of all Consolidated Debt at the time of such transaction plus the par value (or involuntary liquidation value in case the same is greater than the par value or in the case of shares without par value) of the then outstanding Preferred Stock issued by all Subsidiaries and not owned by the Company and/or other Subsidiaries is greater than or would thereby exceed four (4) times the sum of (i) Consolidated Equity at the time of such transaction and (ii) Subordinated Debt at the time outstanding;
- (b) directly or indirectly create, incur, assume, or otherwise become liable for any Senior Debt and will not permit any Subsidiary to create, incur, assume or otherwise become liable for any Debt or issue any shares of Preferred Stock (other than to the Company and/or other Subsidiaries), if immediately after giving effect thereto, and to the receipt and application, substantially contemporaneously therewith, of any consideration secured therefor (including, but without limitation, the retirement of any Debt or Preferred Stock) the aggregate principal amount of all Consolidated Debt at the time of such transaction plus the par value (or involuntary liquidation value in case the same is greater than the par value or in the case of shares without par value) of the then outstanding Preferred Stock issued by all Subsidiaries and not owned by the Company and/or other Subsidiaries would exceed four (4) times the sum of (i) Consolidated Equity at the time of such transaction and (ii) Subordinated Debt at the time outstanding;
- (c) create or issue any other Subordinated Debt ranking in priority to or pari passu with the Series A Debentures unless the Consolidated Net Earnings in any twelve (12) consecutive calendar months out of eighteen (18) calendar months immediately preceding the date of creation or issue shall have been not less than two and one-half times the amount required to pay the interest on Subordinated Debt outstanding in the same twelve (12) consecutive calendar months.

The terms "Consolidated Debt", "Consolidated Equity", "Consolidated Net Earnings", "Debt", "Preferred Stock", "Senior Debt", "Subordinated Debt" and "Subsidiary" have the meanings assigned to them in the Trust Indenture.

Other than the foregoing, no bonds or debentures of the Company are outstanding or proposed to be issued. All of the Series A Debentures and all of the preference shares Series A will rank ahead of the common shares offered by this prospectus.

10. No substantial indebtedness has been created or assumed or is at present proposed or intended to be created or assumed by the Company which is not shown in the pro forma consolidated balance sheet of the Company and its subsidiary companies as at November 30, 1964 forming part of this prospectus. In the ordinary course of the Company's business the Company has incurred and will incur current bank indebtedness secured by a general assignment of the Company's notes receivable.

11. Particulars of the securities covered by options outstanding or proposed to be given by the Company are as follows:

(a) Pursuant to the terms of a Deposit Agreement dated as of June 15, 1964 between the Company and Montreal Trust Company as Depositary there was mailed to each registered holder of fully registered Series A Debentures at the close of business on December 15, 1964 Share Purchase Warrants in respect of fifteen (15) common shares without par value for each \$1,000 principal amount of Series A Debentures held by him at such record date and after December 15, 1964 the Depositary has and will continue to deliver to the bearer of the certificate attached to each coupon Series A Debenture upon the surrender of such certificate to it Share Purchase Warrants in respect of fifteen (15) common shares without par value. Each Share Purchase Warrant entitles the holder thereof to purchase at any time after December 15, 1964 and up to and including June 15, 1970 one (1) common share at a price payable in cash of \$7.50 per share after December 15, 1964 and up to and including December 15, 1965, and thereafter at a price of \$8.50 per share up to and including June 15, 1967 and thereafter at a price of \$10 per share up to and including December 15, 1968 and thereafter at a price of \$12.50 per share up to and including June 15, 1970. The Share Purchase Warrants will be void after June 15, 1970. At June 15, 1964, 15,000 common shares of the Company were reserved for these Share Purchase Warrants.

(b) The board of directors on August 31, 1964 granted to Howard Kirby, Vice-President Sales of the Company, an option effective September 15, 1964 to purchase 3,500 common shares of the Company at a price of \$7.50 per share; such option may be exercised on a cumulative basis to the extent of 500 shares in the first year of the option and to the extent of 500 shares in each succeeding year terminating on September 14, 1971.

(c) Reference is made to paragraph 8 hereof for the description of the conversion privilege attaching to the preference shares Series A.

12. The number of securities offered by this prospectus, their proper and correct descriptive title and the prices payable therefor by the public are as shown on the face page of this prospectus.

Within the two preceding years the Company has issued and sold (a) 20,000 preference shares Series A with a par value of \$25 each for a consideration received in cash of \$500,000; such preference shares Series A were sold by the Company to J. H. Crang & Co., Isard, Robertson and Co. Limited and Credit Interprovincial Inc. who were paid a commission of \$35,000; and (b) \$1,000,000 principal amount of 6 $\frac{3}{4}$ % Subordinated Sinking Fund Debentures Series A (hereinafter referred to as Series A Debentures) and Share Purchase Warrants in respect of 15,000 common shares of the Company for a consideration received in cash of \$945,000; such Series A Debentures and Share Purchase Warrants were sold to J. H. Crang & Co., Isard Robertson and Co. Limited and J. L. Levesque & L. G. Beaubien Ltee.

13. The estimated net proceeds to be derived by the Company from the sale of the common shares offered by this prospectus on the basis of the same being fully taken up and paid for is \$375,000 less legal and auditing fees and other expenses in connection with the issue estimated at \$5,000 and the commission referred to in paragraph 16 hereof.

14. The net proceeds to be derived by the Company from the sale of the common shares offered hereby will be used to reduce the Company's bank indebtedness. There is no provision for the holding in trust of the proceeds of the issue of the common shares offered hereby pending or subject to fulfilment of any conditions.

15. In the opinion of the directors no minimum amount must be raised by the issue of the common shares offered hereby in order to provide any sums required to be provided for any matter.

16. By an underwriting agreement dated January 4, 1965 between the Company and J. H. Crang & Co. and Isard, Robertson and Co. Limited (hereinafter referred to as the "underwriters"), the Company has agreed to sell and the underwriters have agreed to purchase as principals 50,000 common shares without par value of the Company, subject to the fulfilment of certain terms and conditions, at the price of \$7.50 per common share and to pay to the underwriters a commission of 50¢ per common share for agreeing to subscribe for the said common shares.

17. The by-laws of the Company provide as follows with respect to the remuneration of the directors:

"The directors shall be paid such remuneration, if any, as the board may from time to time determine. Any remuneration so payable to a director who is also an officer or employee of the Company or who is counsel or solicitor to the Company or otherwise serves it in a professional capacity shall, unless the board shall otherwise determine, be in addition to his salary as such officer or employee or to his professional fees as the case may be. In addition the board may by resolution from time to time award special remuneration out of the funds of the Company to any director who performs any special work or service for, or undertakes any special mission on behalf of, the Company outside the work or services ordinarily required of a director of the Company. The directors shall also be paid such sums in respect of their out-of-pocket expenses incurred in attending board, committee or shareholders' meetings or otherwise in respect of the performance by them of their duties as the board may from time to time determine. No confirmation by shareholders of any such remuneration or payment shall be required."

18. The aggregate remuneration paid or to be paid to the directors, as such, for the last financial year of the Company ended March 31, 1964 is \$900 and the aggregate remuneration expected to be paid during the current financial year is \$2,000. The aggregate remuneration paid by the Company to the only officer of the Company who individually received or was entitled to receive remuneration in excess of \$10,000 per annum during the last financial year of the Company ended March 31, 1964 was \$15,000, and it is estimated that for the current financial year the remuneration paid or to be paid to officers of the Company who individually may be entitled to receive remuneration in excess of \$10,000 per annum, will be \$15,000.

19. By an underwriting agreement dated October 4, 1963 between the Company and J. H. Crang & Co., Isard, Robertson and Co. Limited and Credit Interprovincial Inc. the Company paid to J. H. Crang & Co., Isard, Robertson and Co. Limited and Credit Interprovincial Inc. a commission of \$35,000 in consideration of the said J. H. Crang & Co., Isard, Robertson and Co. Limited and Credit Interprovincial Inc. agreeing to subscribe for 20,000 preference shares Series A. By an underwriting agreement dated May 15, 1964, between the Company and J. H. Crang & Co., Isard, Robertson and Co. Limited and J. L. Levesque & L. G. Beaubien Ltee. the Company sold to J. H. Crang & Co., Isard, Robertson and Co. Limited and J. L. Levesque & L. G. Beaubien Ltee. as principals \$1,000,000 principal amount of Series A Debentures and Share Purchase Warrants in respect of 15,000 common shares of the Company at the price of \$945 per \$1,000 principal amount of Series A Debentures. Reference is made to paragraph 16 hereof for a description of the commission to be paid to the underwriters for their agreeing to subscribe for the 50,000 common shares offered hereby. Other than the foregoing, no amount has been paid by the Company within the two years preceding the date hereof or is payable by the Company as a commission for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any shares in, or obligations of, the Company.

20. The Company has been carrying on business since 1958.

21 and 22. No property has been purchased or acquired by the Company or is proposed to be purchased or acquired by the Company, the purchase price of which is to be defrayed in whole or in part out of the proceeds of the common shares offered by this prospectus, or has been paid within the two years preceding the date hereof or is to be paid in whole or in part in securities of the Company, or the purchase or acquisition of which has not been completed at the date of this prospectus, and consequently no names and addresses of vendors of such property can be supplied.

23. No securities have been issued or agreed to be issued within the two years preceding the date of this prospectus as fully or partly paid up otherwise than in cash. Reference is made to paragraph 8 hereof for the description of the conversion privilege attaching to the preference shares Series A.

24. No obligations are offered by this prospectus.

25. Exclusive of the legal and auditing services in connection with the issue of the common shares offered hereby the issue of the preference shares Series A referred to in paragraph 8 hereof, and the issue of the Series A Debentures and Share Purchase Warrants referred to in paragraph 9 hereof, no services have been rendered or are to be rendered to the Company which are to be paid for by the Company wholly or partly out of the proceeds of the issue of the common shares or have been paid within the last two preceding years or are to be paid for by securities of the Company.

26. No amount has been paid by the Company within the two years preceding the date hereof or is intended to be paid to any promoter.

27. The dates of and parties to and general nature of every material contract entered into by the Company within the two years preceding the date of this prospectus, other than contracts entered into in the ordinary course of the business carried on by the Company, are as follows:

(a) supplemental agreement dated September 16, 1963 between the Company, J. W. Adams, C. N. Chapman, C. R. Ivey, P. J. Ivey, J. M. Stevens and R. W. Stevens amending the Loan Agreement dated April 6, 1961 creating \$500,000 principal amount 6 $\frac{3}{4}$ % Subordinated Notes due April 1, 1968, payable in funds of the United States of America;

(b) supplemental indenture dated September 16, 1963 between the Company and Arva Investments Limited, Burke Holdings Limited, Charles Norman Chapman, Georgina Catharine Chapman, C. R. Ivey, P. J. Ivey, Barbara Campbell Ivey, J. M. Stevens and R. W. Stevens amending the indenture dated as of July 1, 1962 between the Company and Pioneer Finance Company, Kathleen L. Adams, Arva Investments Limited, Georgina Catharine Chapman, C. R. Ivey, P. J. Ivey and Barbara Campbell Ivey providing for the issue of \$100,000 principal amount 6% Junior Capital Notes;

(c) underwriting agreement dated October 4, 1963 between J. H. Crang & Co., Isard, Robertson and Co. Limited and Credit Interprovincial Inc. and the Company referred to in paragraph 19;

(d) supplemental agreement dated as of April 1, 1964 between the Company and J. W. Adams, C. N. Chapman, C. R. Ivey P. J. Ivey, J. M. Stevens and R. W. Stevens amending the Loan Agreement referred to in clause (a) hereof;

(e) underwriting agreement dated May 15, 1964 between J. H. Crang & Co., Isard, Robertson and Co. Limited and J. L. Levesque & L. G. Beaubien Ltee. and the Company referred to in paragraph 19;

(f) trust indenture dated as of June 15, 1964 between the Company and Montreal Trust Company as Trustee referred to in paragraph 9;

(g) deposit agreement dated as of June 15, 1964 between the Company and Montreal Trust Company as Depositary referred to in clause (a) of paragraph 11;

(h) agreement made September 21, 1964 between Paul Sitzer, Sidney Jack Sitzer, Montague C. Beber, Concord Securities Limited and M. C. Beber Limited as Vendors and the Company as Purchaser providing for the purchase by the Company of all of the issued shares of Almort Investments Limited for a price of \$1,000 and payment of a fee in connection with such purchase of \$750.

(i) agreement made November 30, 1964 between the Company as Vendor and Almort Investments Limited as Purchaser providing for the transfer to Almort Investments Limited of all of the accounts receivable and related security resulting from loans made by the Company; and

(j) underwriting agreement made January 4, 1965, between J. H. Crang & Co., and Isard, Robertson and Co. Limited and the Company referred to in paragraph 16.

Except as aforesaid the Company has not entered into any material contracts within the two years preceding the date hereof, other than contracts entered into in the ordinary course of the business carried on by the Company.

Copies of the agreements referred to in sub-paragraphs (a) to (j) inclusive hereof may be inspected during usual business hours at the head office of the Company during the period of primary distribution to the public of the common shares offered hereby.

28. It was a condition of the underwriting agreement dated October 4, 1963 referred to in clause (c) of paragraph 27 hereof that the \$100,000 principal amount of 6% Junior Capital Notes then outstanding would be paid off in their entirety out of the proceeds of the sale of the preference shares Series A and John William Adams, Charles Norman Chapman, Barbara Campbell Ivey, Charles Robert Ivey, Peter John Ivey, John Martin Stevens, Robert William Stevens, Arva Investments Limited, Burke Holdings Limited and LNJ Investments Limited as the holders of the 6% Junior Capital Notes received \$100,000 of the proceeds of the sale of the preference shares Series A.

It was a condition of the underwriting agreement dated May 15, 1964 referred to in clause (e) of paragraph 27 hereof that the \$500,000 U.S. (\$540,000 Canadian) principal amount of 6 $\frac{3}{4}$ % Subordinated Notes would be paid off in their entirety out of the proceeds of the sale of the Series A Debentures and Share Purchase Warrants. John William Adams, Charles Norman Chapman, Charles Robert Ivey, Peter John Ivey, John Martin Stevens and Robert William Stevens as the holders of the 6 $\frac{3}{4}$ % Subordinated Notes received \$500,000 U.S. (\$540,000 Canadian) of the proceeds of the sale of the Series A Debentures and Share Purchase Warrants.

None of the directors of the Company has any interest directly or indirectly in any property proposed to be acquired by the Company.

29. The Company has been carrying on business for more than three years. The Company has not acquired nor does it propose to acquire, either by direct acquisition or indirectly by ownership of shares or otherwise, a business that has been carried on for less than three years.

30. The names and addresses of the persons who, by reason of beneficial ownership of securities of the Company are in a position to, or are entitled to, elect or cause to be elected a majority of the directors of the Company, are: Arva Investments Limited, R.R. No. 1, Arva, Ontario, Burke Holdings Limited, 1597 Ryersie Road, London, Ontario, LNJ Investments Limited, 51 Westchester Drive, London, Ontario, Charles Robert Ivey, 817A Talbot Street North, London, Ontario, Barbara Campbell Ivey, 1132 Richmond Street, London, Ontario, Peter John Ivey, 1132 Richmond Street, London, Ontario, John Martin Stevens, 324 St. George Street, London, Ontario, Robert William Stevens, 39 St. Andrews Gardens, Toronto, Ontario.

31. No securities of the Company are held in escrow except that 117,397 of the outstanding common shares of the Company are held by The Royal Trust Company in escrow pursuant to an agreement with the registered holders thereof to be released on the earlier of September 15, 1965, or the expiration of a period of 180 days after the date on which the common shares without par value in the capital stock of the Company are called for trading on The Toronto Stock Exchange; subject to earlier release with the written consent of J. H. Crang & Co. The said agreement does not contain any restrictions on the transfer of the said shares within the escrow.

32. Particulars of the dividends paid by the Company on the preference shares Series A since the date of issue of the said preference shares Series A on the 28th day of October 1963 are as follows:

<u>Date Dividend Paid</u>	<u>Per Preference Share</u>	<u>Aggregate</u>
January 31, 1964	\$.41	\$8,200
April 30, 1964	\$.40	\$8,000
July 31, 1964	\$.40	\$8,000
October 31, 1964	\$.41½	\$8,300

Except for the foregoing, no dividends have been paid by the Company during the five years preceding the date of this prospectus.

33. The Board of Directors of the Company has elected Lyman W. Oehring the President of the Company effective February 15, 1965. The Company proposes to grant to Mr. Oehring, forthwith after he assumes his duties as President of the Company an executive stock option to purchase 10,000 common shares of the Company at a price of \$7.50 per share exercisable over a five year period at the rate of 2,000 shares per year.

There are no other material facts not disclosed in the foregoing.

DATED this 11th day of January, 1965.

The foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by section 39 of The Securities Act (Ontario) and there is no further material information applicable other than in the financial statements or reports where required or exigible.

Directors

(signed) J. W. Adams

(signed) C. E. Isard

(signed) Bentley I. Baldwin

(signed) P. J. Ivey

(signed) C. N. Chapman

(signed) Frank T. Sherk

(signed) M. J. Howe

(signed) J. M. Stevens

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by section 39 of The Securities Act (Ontario) and there is no further material information applicable other than in the financial statements or reports where required or exigible. In respect of matters which are not within our knowledge we have relied upon the accuracy and adequacy of the foregoing.

Underwriters

J. H. CRANG & Co.

(signed) M. J. Howe

ISARD, ROBERTSON AND CO. LIMITED

(signed) R. W. Robertson

The following are the names of the partners of J. H. Crang & Co.: J. H. Crang, E. D. Scott, D. A. Fitzgerald, M. J. Howe, D. M. Bryson, Paul Robert, O. A. H. Sims and G. C. Donley (limited partner).

The following are the names of every person having an interest either directly or indirectly to the extent of not less than 5% in the capital of Isard, Robertson and Co. Limited: C. E. Isard, R. W. Robertson, T. M. Hockin, D. W. C. Brent and the Estate of Frederick James Isard, deceased.

- (ii) The Quebec Securities Commission issued its permission to trade and consent to distribute the Prospectus relating to the offering of 20,000 6½ % cumulative redeemable convertible first preference shares Series A with a par value of \$25 each, which permission and consent were set forth in a letter dated October 17, 1963.
- (iii) The Ontario Securities Commission issued its official receipt dated January 13, 1965 acknowledging receipt of the material required under The Securities Act (Ontario) in reference to the offering of 50,000 common shares without par value in the capital of the Company.

8.

FISCAL YEAR

The fiscal year of the Company ends on March 31 in each year.

9.

ANNUAL MEETINGS

The by-laws of the Company provide that the annual meeting of the Company shall be held on such day in each year as the Board from time to time may determine. The by-laws further stipulate that meetings of shareholders shall be held at the head office of the Company or elsewhere in the municipality in which the head office is situate, save that a meeting of shareholders may be held elsewhere in Ontario if the Board so determines. The last annual meeting of the Company was held on the 30th day of September, 1964.

10.

HEAD AND OTHER OFFICES

The head office of the Company is located at 5385 Yonge Street, Willowdale, Ontario, and the Company has a branch office at 380 George Street, Moncton, New Brunswick.

11.

TRANSFER AGENT AND REGISTRAR

The Royal Trust Company at its principal offices in the Cities of Toronto and Montreal is the Transfer Agent and Registrar for the Preference Shares Series A and the common shares.

12.

TRANSFER FEE

No fee is charged on the transfer of the Preference Shares or common shares other than the customary stock transfer taxes.

13.

AUDITORS

The auditors of the Company are Messrs. Peat, Marwick, Mitchell & Co., Chartered Accountants, 4 King Street West, Toronto, Ontario.

14.

DIRECTORS

The directors of the Company are:

John William Adams	Executive	1597 Ryersie Road, London, Ontario.
Bentley Ivan Baldwin	Executive	1109 The Parkway, London, Ontario.
Charles Norman Chapman	Executive	51 Westchester Drive, London, Ontario.
Murray Joseph Howe	Investment Dealer	347 Rosslyn Drive, Burlington, Ontario.
Charles Edward Isard	Investment Dealer	101 Cheapside Street, London, Ontario.
Peter John Ivey	Executive	1132 Richmond Street, London, Ontario.
Lyman Warren Oehring, Jr.	Executive	5385 Yonge Street, Willowdale, Ontario.
Frank Trysman Sherk	Executive	307 Lawrence Avenue East, Toronto, Ontario.

15.

OFFICERS

The officers of the Company are:

Lyman Warren Oehring, Jr.	President	5385 Yonge Street, Willowdale, Ontario.
Charles Norman Chapman	Vice-President	51 Westchester Drive, London, Ontario.
Thomas Harvey Osborne	Vice-President	23 Westwood Lane, Thornhill, Ontario.
Howard Leslie Kirby	Vice-President, Sales	8 Gosling Road, Maple, Ontario.
Robert William Stevens	Secretary	39 St. Andrews Gardens, Toronto, Ontario.
Peter John Ivey	Assistant Secretary	1132 Richmond Street, London, Ontario.

CERTIFICATE

Pursuant to the resolutions duly passed by its Board of Directors, the applicant Company hereby applies for listing of the above-mentioned securities on The Toronto Stock Exchange and the undersigned officers hereby certify that the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

FRONTIER ACCEPTANCE CORPORATION LIMITED

"L. W. OEHRING"

President

"R. W. STEVENS"

Secretary

CERTIFICATE OF UNDERWRITERS

To the best of the knowledge, information and belief of the undersigned, all of the statements and representations made in this application and in the documents submitted in support thereof are true and correct.

J. H. CRANG & CO.

"D. A. FITZGERALD"

DISTRIBUTION OF 6½% FIRST PREFERENCE SHARES SERIES A STOCK

AS OF 26th FEBRUARY, 1965

Number							Shares
72	Holders of	1	—	99	share lots	.....	2,690
66	" "	100	—	199	" "	.....	7,060
12	" "	200	—	299	" "	.....	2,425
2	" "	300	—	399	" "	.....	600
2	" "	400	—	499	" "	.....	800
1	" "	500	—	999	" "	.....	500
4	" "	1000	—	up	" "	.....	4,925
159	Shareholders				Total shares		19,000

DISTRIBUTION OF COMMON STOCK AS OF 26th FEBRUARY, 1965

Number							Shares
60	Holders of	1	—	99	share lots	.....	2,473
122	" "	100	—	199	" "	.....	12,720
43	" "	200	—	299	" "	.....	8,775
21	" "	300	—	399	" "	.....	6,300
7	" "	400	—	499	" "	.....	2,800
16	" "	500	—	999	" "	.....	8,950
<u>10</u>	" "	1000	—	up	" "	.....	<u>130,487</u>
<u>279</u>	Shareholders				Total shares		<u>172,505</u>